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21 March 1958

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Copy No. 137

CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 18
NO CHANGE IN CLASS. X
1.1 DECLASSIFIED
CLASS. CHANGED TO: TS 2610
NEXT REVIEW DATE: 3/25/80
AUTH: HR 70-2
DATE: 3/25/80 REVIEWER: []

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DIA and DOS review(s) completed.

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Approved For Release 2003/02/27 : CIA-RDP79T00975A003600180001-2

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DAILY BRIEF

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I. THE COMMUNIST BLOC

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Supreme Soviet meeting: The USSR Supreme Soviet has been summoned, on unusually short notice, to meet on 27 March. Legislation on the machine tractor station reorganization will be discussed. Rapid convocation of the Soviet, only 11 days after its election, could give the reorganization a further push as the new planting season gets under way, and could be intended to undercut any remaining opposition to the change. The session may remove Bulganin from the premiership.

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II. ASIA-AFRICA

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Japan - South Vietnam: The last of Japan's reparations obligations has been settled by South Vietnam's acceptance of Japan's proposal to grant \$39,000,000 plus loans still to be negotiated. An informal agreement has been initialed in Saigon. This agreement will aid Tokyo's extensive efforts to achieve closer economic relations with Southeast Asia. Tokyo hopes to keep the agreement secret, and Japanese action is expected to be postponed until after the national elections later this year. [REDACTED] (Page 5)

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Pakistan-Britain: Pakistani representatives are negotiating with Britain for the purchase of [REDACTED] Canberra light bombers, eight trainers, and four photo reconnaissance planes. Britain, which has received Indian orders for [REDACTED] Canberras, apparently feels it cannot easily deny similar equipment to a fellow Commonwealth member, despite its concern over an Indo-Pakistani arms race. [REDACTED]

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DAILY BRIEF

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Morocco-Spain: An agreement calling for Spain to transfer control over its protectorate in Southern Morocco to the Rabat government hit a snag on 19 March when Moroccan Foreign Minister Balafrej rejected a new Spanish stipulation that the Moroccan Government "guarantee there will be no new aggression from Morocco against Spain." This is probably the first official move in what will be a protracted campaign to achieve the withdrawal of Spanish and French troops from Morocco. The United States may be asked to assist in the mediation of ensuing differences. [redacted] (Map)

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The Cyprus situation: EOKA is carrying out its resistance campaign with isolated acts of sabotage. British Governor Foot is pessimistic over the prospects for settlement of the Cyprus issue, but feels there is still a limited time in which to find a solution. He recognizes the barrier imposed by the unyielding attitudes of both the Turks and the Greeks. [redacted]

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III. THE WEST

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France: The publication of the resignation threat of General Paul Ely, French armed forces chief of staff, who demands an increase in the military budget, has probably reopened a thorny issue on which Gaillard won grudging agreement in the National Assembly on 7 March. This question may be a factor in the decision the Independents expect to make on 25 March regarding their continuance in the coalition. [redacted]

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ok Cuba: Catholic Church leaders have apparently resumed efforts to resolve the 16-month-old crisis by mediation. The bishop of Matanzas has proposed to Batista that he step down in favor of a provisional government headed by the senior justice of the Supreme Court. Tension, especially in Oriente Province, continues to rise as a result of Fidel Castro's 22-point ultimatum of 17 March. [redacted]

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DAILY BRIEF

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New Supreme Soviet Summoned

The USSR Supreme Soviet elected on 16 March will hold its first session on 27 March. Official announcement of convocation was made in Moscow only eight days before the session is scheduled to begin. The short notice given may be a steam-roller maneuver on the part of Khrushchev designed to crush high-level opposition to his agricultural reorganization scheme.

In 1954, the last election year, there was an interval of 37 days between election day and the first session, and since then there has been an average of 23 days between announcement of meetings and their opening.

It has already been indicated that the Supreme Soviet will hear a report from Khrushchev on the program for the transfer of agricultural machinery from machine tractor stations to collective farms and that legislation on implementation of the plan will be issued. In addition to possible tactical purposes Khrushchev may have, rapid summoning of the Soviet may be intended to get such legislation on the books for the beginning of the planting season.

The Supreme Soviet may also be called on to take action with respect to Bulganin, whose days as premier are numbered, according to widespread reports.

25X1A [REDACTED]

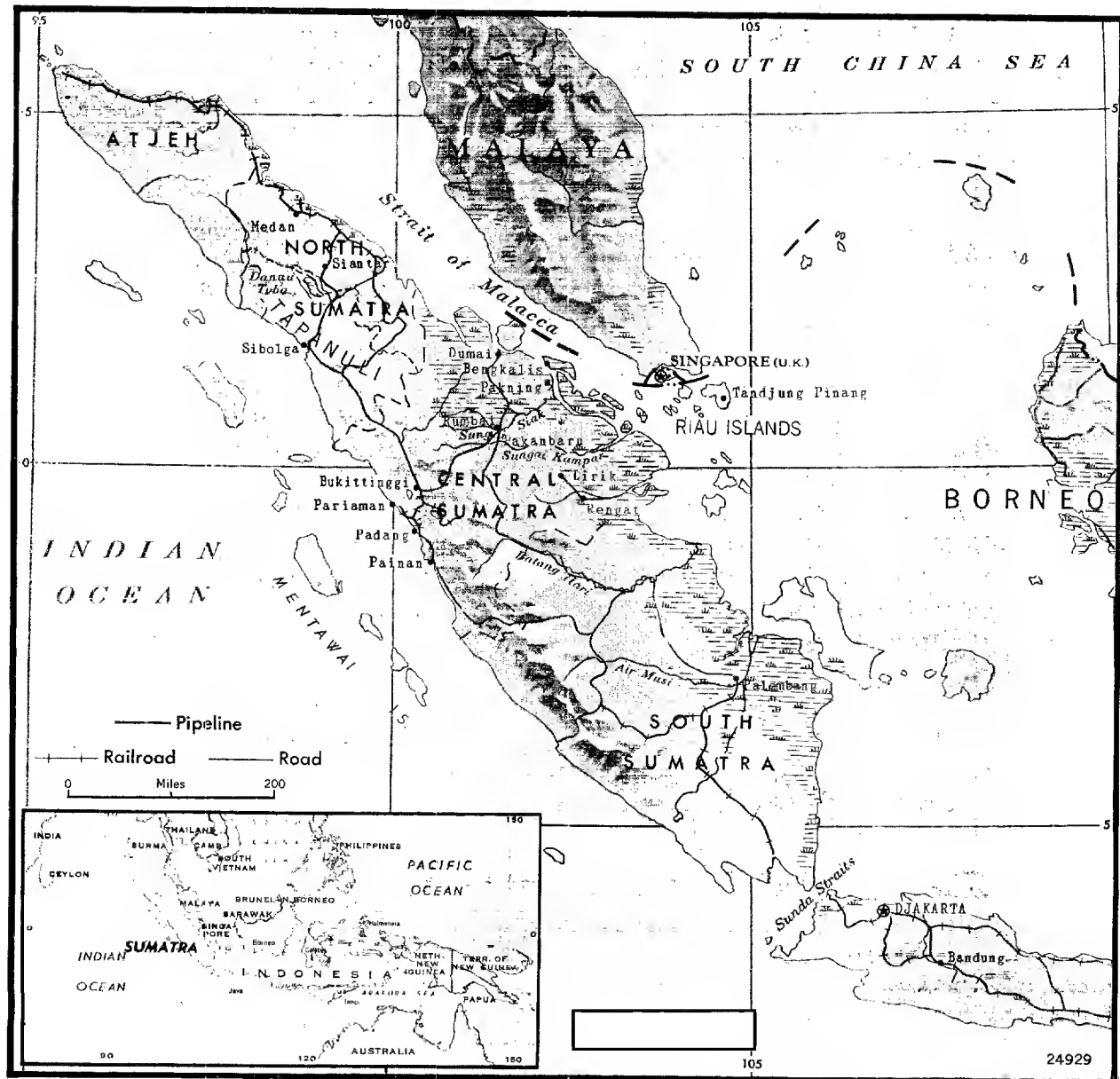
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Japan and South Vietnam Reach Reparations Settlement

Japan apparently has completed a phase of its intensive program to develop closer economic relations with Southeast Asia by reaching an informal agreement with South Vietnam, the last reparations claimant. Tokyo believes that settlement of its post-World-War-II reparations obligations would create more favorable attitudes in Southeast Asia toward Japan and would in turn lead to increased trade and overseas investment.

Japanese negotiators and Vietnamese officials have initialed an agreement calling for Tokyo to provide \$39, -000,000 in direct grants and still to be negotiated long-term loans to cover Vietnamese power development, consumer goods purchases, and certain joint investment projects. The Japanese Foreign Ministry has indicated that for political reasons the Kishi government will postpone formal announcement of the agreement and will not seek Diet approval until after general elections which are expected later this year.

Reparations agreements with Burma and the Philippines already are operative, and a recent settlement with Indonesia is expected to be ratified shortly. Including the Vietnamese settlement, Japan is committed to grants of about \$1.2 billion by 1976. Annual payments for the next few years are estimated at approximately \$72,000,000, plus loans, after which annual payments will diminish. The Japanese Ministry of Finance fears that the financial burden may be too heavy. [REDACTED]

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Pakistan Seeks Canberra Light Bombers in Britain

Pakistani representatives are negotiating with the British firm of English Electric for [] Canberras, including [] light bombers, [] trainers, and [] photo reconnaissance planes. They are doing so apparently at the insistence of Prime Minister Noon, despite an assurance from President Mirza to the American ambassador on 7 March that there would be no such negotiations.

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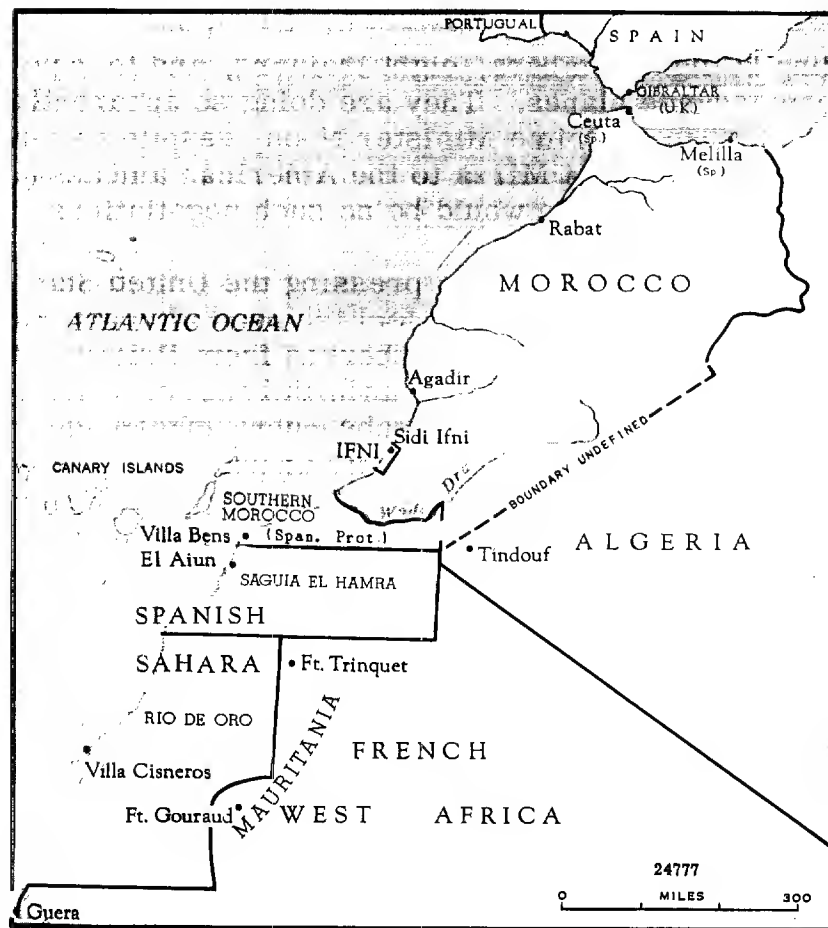
25X1B Pakistan, which is also pressing the United States for light bombers, seems to feel the need of countering India's orders for up to [] Canberras from Britain. It apparently is prepared to pay an initial cost of possibly \$35,000,000 and to undertake subsequent upkeep, despite the questionable ability of its unhealthy economy to support such an expense. Pakistan may be considering a drastic reduction in its naval forces, including cancellation of a recent effort to buy a submarine, in order to pay for the planes.

Britain is concerned over contributing to an Indo-Pakistani arms race but would find it difficult to refuse Pakistan's request after selling planes to India. London will insist on cash payment, though Pakistan has sought credit terms. []

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Morocco Rejects New Spanish Condition for Transfer of Southern Morocco

Moroccan Foreign Minister Balafrej on 19 March rejected a new Spanish demand, made during negotiations for the transfer of control over the Spanish protectorate of Southern Morocco, that the Rabat government "guarantee there will be no new aggression from Morocco against Spain." Madrid fears that a recent Moroccan army regroupment near Southern Morocco indicates an impending attempt to seize the area, and has charged that Moroccan irregulars, recently engaged with Spanish forces in Ifni and Spanish West Africa, are being incorporated in Moroccan army units.

Balafrej has labeled the stipulation "preposterous and deliberately offensive," and believes that Spanish military circles have sabotaged the agreement, which was nearing completion. Spanish army leaders, embittered by the surrender of Spain's northern protectorate in April 1956, oppose cession of the southern area unless Spain obtains maximum guarantees against further hostilities mounted from Morocco. Ambassador Lodge in Madrid reported on 14 March that in view of the political power of the Spanish Army, any yielding by Franco to Moroccan "aggression" might so weaken his prestige as to create a dangerous threat to his regime.

Ambassador Cannon in Rabat anticipates that if the long-delayed transfer cannot be effected soon, Morocco may request the good offices of the United States.

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[redacted]

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[redacted]

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New Violence on Cyprus

Increasingly frequent acts of sabotage against British military installations, supply dumps, and public utilities on Cyprus have occurred in recent days. Between 7 and 20 March, 22 individual bomb incidents were reported. EOKA, the underground Greek Cypriot organization, is apparently adding violence to its "passive resistance" campaign which began on 2 March. There is evidence, however, that the violence is aimed at installations rather than British personnel on Cyprus. According to Greek Foreign Minister Averoff, EOKA now is in "very good shape" because of fairly large amounts of "materiel" recently shipped through the British blockade.

In addition to sabotage, EOKA is trying to enforce a boycott by Greek Cypriots against certain British manufactured or processed products including cigarettes, tobacco, candy, beer, whiskey, and shoes. Reports indicate that the boycott has not met with much success.

The British Governor of Cyprus remains pessimistic about finding a solution acceptable to both Greeks and Turks. A settlement which would involve granting the Turks a military base or bases on Cyprus in exchange for permitting the eventual union of the rest of the island with Greece is now being promoted by London. There is no firm indication at this time that either Athens or Ankara would accept such a settlement. The Greeks appear willing to discuss the proposal, but the political situation in Athens virtually precludes further advance until after Greek national elections, now expected in early May. [REDACTED]

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III. THE WEST

French Military Pressure for Larger Budget Further Weakens Gaillard

Publication of the resignation threat of French Armed Forces Chief of Staff General Ely, who demands an increase in the military budget, has probably reopened the issue of military budget cuts on which Premier Gaillard won grudging agreement in the National Assembly on 7 March. In a letter to Defense Minister Chaban-Delmas, Ely asked for a \$186,000,000 increase in funds to continue an effective NATO contribution and Algerian pacification, and to restore the drastically reduced military construction programs.

Two air force generals in charge of material construction programs have already resigned in protest against the cuts, and the simultaneous resignation of the air force chief of staff, General Bailly, is attributed to the same cause.

According to the American military attaché, the Gaillard government's decision to increase the proportion of the military budget devoted to Algerian operations at the expense of other items was not coordinated with the military staff. The military maintain the requested increase could easily be obtained from civilian ministries' budgets.

The Independents have just served notice that they will decide on 25 March whether the government's policy toward Tunisia makes their continued participation in the coalition possible. Revival of the military budget issue may be a determining factor in the Independents' decision, and may encourage opponents of Gaillard to press for his overthrow despite the proximity of the spring recess.

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Cuban Bishop Reported Urging Batista to Resign

Rising tension in Cuba, highlighted by rebel leader Fidel Castro's 22-point ultimatum declaring "total war" against President Batista, has apparently caused church leaders to resume mediation efforts. A reliable source of the American Embassy in Havana states that both the archbishop of Oriente Province and the bishop of Matanzas Province conferred with Batista on 18 March.

The bishop is said to have suggested that Batista postpone the 1 June general elections and resign in favor of a provisional government headed by the senior justice of the Supreme Court. Similar demands have been made by civic and political groups, but this is the first time a member of the hierarchy is known to have suggested Batista's withdrawal. The bishop was sufficiently encouraged to plan an interview with Castro.

Castro's ultimatum, made public on 17 March, threatens to call a general strike to be followed by armed action during the first week in April. It also prohibits all traffic in Oriente Province and the payment of any taxes after 1 April and exhorts members of the armed forces to join the rebel movement. [redacted]

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some residents of the city, alarmed because of the ultimatum, are talking of moving their families to Havana or Miami. [redacted]

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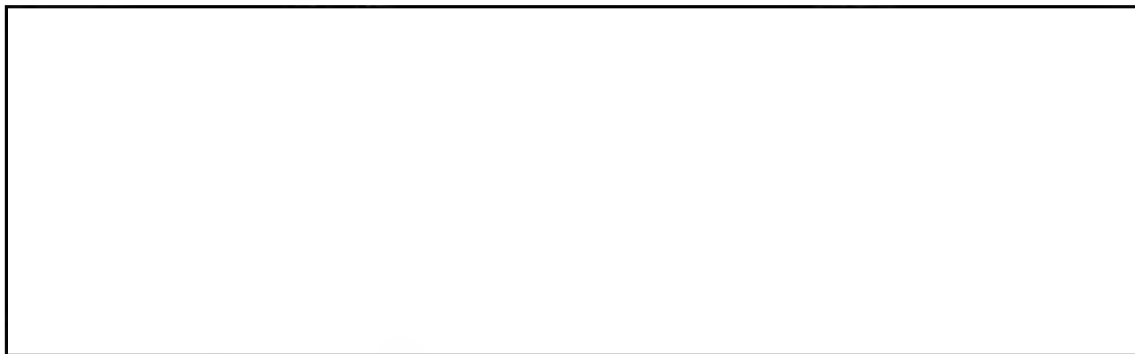
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